

Message Text

CONFIDENTIAL

PAGE 01 BONN 16079 01 OF 02 021023Z

11/42

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 CIAE-00 TRSE-00

/026 W

----- 089883

O 011520Z OCT 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 3292

C O N F I D E N T I A L SECTION 01 OF 02 BONN 16079

EXDIS

(CORRECTED COPY ((LINES 3 AND 4 OF PARA 1 OMITTED ON
ORIGINAL TRANSMISSION)

DEPARTMENT PLEASE ALSO PASS TREASURY FOR UNDER
SECRETARY YEO AND ASSISTANT SECRETARY COOPER

E.O. 11652: XGDS-1

TAGS: EFIN

SUBJECT: GERMAN MINISTRY OF FINANCE'S ATTITUDE ON AID
QUESTIONS, DEBT PROPOSALS BY EGON BAHR

REF: A. BONN 16032; B. STATE 226372; C. BONN 15846

1. WE HAVE NOW HAD THE OPPORTUNITY TO ALSO EXPLORE
WITH THE FINANCE MINISTRY ITS ATTITUDE TOWARD THE LDC
DEBT PROPOSALS BY EGON BAHR. THE MINISTRY WAS GENERALLY
AWARE OF BAHR'S PROPOSALS, BUT WAS NOT AWARE THAT BAHR WAS
THINKING OF ALSO INCLUDING COMMERCIAL CREDITS IN THE
PROPOSED RESCHEDULING. FINANCE MINISTRY OFFICIALS
FEEL THAT THE INCLUSION OF COMMERCIAL DEBTS IS
IMPOSSIBLE AND UNREALISTIC.

2. THE MINISTRY IS NOT VERY ENTHUSIASTIC, BUT ALSO NOT
ENTIRELY NEGATIVE CONCERNING THE IDEA OF A GENERAL
RESCHEDULING OF OFFICIAL DEBTS. WHILE SUCH A RE-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 16079 01 OF 02 021023Z

SCHEDULING WOULD NOT INCREASE EXPENDITURES OF THE

GERMAN AID BUDGET, IT WOULD REDUCE THE GENERAL RECEIPTS OF THE FINANCE MINISTRY AND THUS INCREASE BUDGET DEFICITS AND FINANCING PROBLEMS. THE MINISTRY EXPERTS, HOWEVER, POINT OUT THAT IN THEIR VIEW THE INDIAN, PAKISTAN, AND EGYPTIAN DEBTS IN ALL LIKELIHOOD WOULD HAVE TO BE RESCHEDULED ANYWAY IN THE NOT TOO DISTANT FUTURE AND THAT THEREFORE A GENERAL RESCHEDULING SCHEME WOULD NOT COST VERY MUCH ADDITIONAL MONEY AND MIGHT BE WORTH THE POLITICAL BENEFIT.

3. IN THIS CONNECTION THE MINISTRY EXPERTS (AT THE ASSISTANT SECRETARY AND OFFICE DIRECTOR LEVELS) POINTED OUT THAT IN THEIR VIEW THE DEVELOPED COUNTRIES ARE GETTING THEMSELVES INTO AN UNTENABLE POSITION VIS-A-VIS THE LDCS. THEY WILL NOT BE ABLE TO MAKE GOOD ON THE 0.7 PERCENT OF GNP AID TARGET DURING THE NEXT FEW YEARS. EVEN IF THEY ARE MAKING A CONCESSION ON THE SDR/AID LINK, THIS WILL NOT BE WORTH MUCH IN THE NEAR FUTURE BECAUSE INTERNATIONAL LIQUIDITY CONSIDERATIONS PROBABLY WILL PREVENT SDR CREATION. THE FRENCH CAN BE EXPECTED TO BLOCK IMF GOLD SALES AT LEVELS BELOW \$1.70 PER OUNCE SO THAT NO VERY GREAT SUMS ARE LIKELY TO BE FORTHCOMING FROM THIS SOURCE. COMPENSATORY FINANCING AND COMMODITY AGREEMENTS WILL BENEFIT SOME, BUT NOT ALL OF THE MOST NEEDY LDCS. IN THIS SITUATION, SOME AID VIA GENERAL DEBT RESCHEDULING MIGHT BE A SENSIBLE GESTURE UNLESS US OBJECTIONS TO IT ARE OVERRIDING.

4. THE FINANCE MINISTRY OFFICIALS INDICATED THAT THE DECISION ON THE OFFICIAL GERMAN ATTITUDE ON THE BAHR PROPOSALS WILL BE MADE BY CHANCELLOR SCHMIDT PERSONALLY

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 16079 02 OF 02 011530Z

42

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

----- 072593

O 011520Z OCT 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 3293

C O N F I D E N T I A L SECTION 02 OF 02 BONN 16079

EXDIS

AND STRONGLY URGED THAT IF US PROBLEMS WITH AN OFFICIAL DEBT RESCHEDULING ARE OVERRIDING, THIS PROBLEM SHOULD BE TAKEN UP WITH THE CHANCELLOR DURING HIS CURRENT VISIT TO WASHINGTON.

5. THE MINISTRY OFFICIALS STRESSED THE DESIRE TO CONTINUE TO COORDINATE THEIR GENERAL POSITION ON AID TO LDGS CLOSELY WITH THE U.S. THEY POINTED OUT, HOWEVER, THAT GERMANY INCREASINGLY ALSO MUST COORDINATE ITS POSITION WITHIN THE EEC WHERE A NUMBER OF COUNTRIES HAVE VIEWS ON AID QUESTIONS WHICH OFTEN ARE NOT VERY COMPATIBLE WITH THOSE OF THE US. IN THIS SITUATION THE FRG POSITION CAN BECOME VERY DIFFICULT AND CLOSE CONTACT WITH THE US ESSENTIAL.

6. CONCERNING THE NEW GERMAN POSITION ON THE SDR/AID LINK, MINISTRY OFFICIALS ON THE ONE HAND THOUGHT THAT THERE WAS SOME PROGRESS IN THE LDGS ACCEPTING A POSTPONEMENT OF THIS QUESTION UNTIL THE CREATION OF ADDITIONAL SDRS WOULD AGAIN BECOME TOPICAL FROM THE POINT OF VIEW OF INTERNATIONAL LIQUIDITY. ON THE OTHER HAND, THEY FELT THAT ONCE THE LINK BECOMES ESTABLISHED--AND THEY ARE STILL HOPING FOR A US VETO--IT WILL DESTROY THE POTENTIAL ROLE OF THE SDR AS THE BASIC INTERNATIONAL RESERVE ASSET.
HILLENBRAND

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, LESS DEVELOPED COUNTRIES, DEBT REPAYMENTS, PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Draft Date: 01 OCT 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN16079
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Film Number: D750341-0765
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751094/aaaadfng.tel
Line Count: 146
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 75 BONN 16032, 75 STATE 226372, 75 BONN 15846
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 04 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 JUN 2003 by ShawDG>; APPROVED <07 OCT 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GERMAN MINISTRY OF FINANCE'S ATTITUDE ON AID QUESTIONS, DEBT PROPOSALS BY EGON BAHR
TAGS: EFIN, GE, (BAHR, EGON)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006